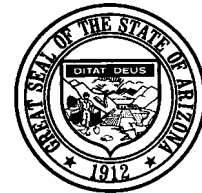


# ARIZONA

## TAXNEWS



Janet Napolitano, Governor

J. Elliott Hibbs, Director

### Inside this issue:

**ARIZONA WITHHOLDING  
RATES CHANGE  
JANUARY 1, 2005**

**CONFORMITY WITH THE  
INTERNAL REVENUE CODE**

**IRS HAS \$73 MILLION IN  
REFUND CHECKS GO  
UNDELIVERED**

**CHANGES IN CITY/TOWN  
TAX CODE**

**AZ TAXES.GOV TIPS**

**DECEMBER WORKSHOPS**

**IRS CITED AS MOST  
RELIABLE GOVT. WEBSITE**

**ROC ADVISES TO BE  
CAUTIOUS OF 1099S  
STATUS**

**2D BARCODE UPDATE**

### ARIZONA DEPARTMENT OF REVENUE MISSION STATEMENT

To administer tax laws fairly  
and efficiently for the people  
of Arizona.

### WE'RE ON THE WEB!

The Arizona TaxNews can be  
viewed on our Internet  
website:  
[www.azdor.gov](http://www.azdor.gov)

## ARIZONA WITHHOLDING RATES CHANGE— EFFECTIVE JANUARY 1, 2005

In accordance with Senate Bill 1415 which was passed by the Legislature this past session, withholding rates increase effective January 1, 2005, except for the lowest rate available for employees making less than \$15,000 annually. The lowest available percentage rate remains at 10%, and the higher rates are all increased. The bill also provides session law to require the automatic increase of employees' withholding rates if they do not elect a rate of withholding.

The following table illustrates the changes to the withholding tax rates.

Current Rate	New Rate for 2005
10.0 %	10 %
18.2 %	19 %
21.3 %	23 %
23.3 %	25 %
29.4 %	31 %
34.4 %	37 %

## CONFORMITY WITH THE INTERNAL REVENUE CODE AFFECTING ARIZONA

During 2004, Congress enacted and President Bush signed the American Jobs Creation Act of 2004 (P.L. 108-357) and the Working Families Tax Relief Act of 2004 (P.L. 108-311). Both of these bills contained retroactive provisions that affect the 2004 taxable year and prior taxable years. A couple of the retroactive provisions included in these bills include the federal election to deduct state and local sales taxes in lieu of state and local income taxes and the extension of the above-the-line deduction for educator expenses.

For Arizona income tax purposes, the starting point for the Arizona individual income tax computation is the federal adjusted gross income determined under the Internal Revenue Code as of a specific date (usually January 1 of the taxable year). Additionally, itemized

deductions allowed on the Arizona income tax return are those deductions allowable under the Internal Revenue Code.

Conformity with the Internal Revenue Code is done on an annual basis and is tax year specific. The Internal Revenue Code used for the 2004 taxable year is the Internal Revenue Code in effect on January 1, 2004, excluding any changes enacted to the code after January 1, 2004. The Arizona Legislature has not yet adopted any Internal Revenue Code provisions enacted after January 1, 2004. Therefore, current Arizona law does not recognize the new federal legislation.

In the session starting in January, the Arizona Legislature will decide whether or not Arizona will conform to or accept the changes made by Congress in 2004.

(Continued on page 5)

### \*\*\***REMINDER**\*\*\*

#### FOR NON-EFT TPT FILERS

**To avoid a delinquency, postmark your November 2004 TPT return no later than December 27, 2004 or deliver to DOR no later than December 29, 2004.**

The Tax Facts—Summary of General Fund Revenues & Individual Income Tax Receipts—are available on the department's website, [www.azdor.gov](http://www.azdor.gov)

### E-Mail Your Questions

If you have a question that you cannot find the answer to, our Technical Assistance personnel may prove useful to you. We will gladly respond to any e-mail technical tax inquiry. All inquiries will be responded to within two working days.

E-mail your question to:

[TaxpayerAssistance@azdor.gov](mailto:TaxpayerAssistance@azdor.gov)

In the interest of maintaining confidentiality, DOR cannot respond to inquiries that include a Social Security number, FEIN, TPT or W/H number, or other specific taxpayer identifiers.

### Department of Revenue Telephone Numbers & Web Addresses

#### Individual & Corporate Income Tax

..... (602) 255-3381

Toll-free from

area codes 520 and 928..... (800) 352-4090

#### Transaction Privilege, Use, Withholding Tax, Licensing..... (602) 255-2060

Toll-free from

area codes 520 and 928..... (800) 843-7196

#### Hearing Impaired TDD User .. (602) 542-4021

Toll-free from

area codes 520 and 928..... (800) 397-0256

**To order forms by phone** ..... (602) 542-4260

**Forms by fax** ..... (602) 542-3756

**Forms and instructions are also available on our website at** .....[www.azdor.gov](http://www.azdor.gov)

**Businesses can now register, file and pay online at** .....[www.AZTaxes.gov](http://www.AZTaxes.gov)

## TAX CALENDAR

DECEMBER 2004

Due Date		For Period Ending
15	Income Tax Returns:	8/31/04
	Form 120: Corporation	
	Form 140: Individual	
	Form 141: Fiduciary	
	Form 165: Partnership	
15	Form 120: Corporation with Automatic Extension	2/29/04
15	Form 120S: S Corporation	9/30/04
15	Form 99: Exempt Organizations Annual Information Return	7/31/04
15	Form 99T: Exempt Organization	7/31/04
	Form 120ES: Estimated Tax Payment, Corporation	
	First Installment	8/31/05
	Second Installment	6/30/05
	Third Installment	3/31/05
	Fourth Installment	12/31/04
20	Form TPT-1: Transaction Privilege Tax: November Monthly Filers	11/30/04
20	Bingo: Financial Reports	11/30/04
20	Luxury Tax: Various Forms	11/30/04
23	ACH Debit/E-Check for AZTaxes filed returns due by 5 pm	11/30/04
24	State Holiday Observed—Christmas	
	All State Offices Closed	
27	EFT Form TPT-1 and Payment: Transaction Privilege Tax: November Monthly Filers	11/30/04
31	State Holiday Observed—New Year's Day	
	All State Offices Closed	

### Withholding Tax Payment Information:

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **exceeds** \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits.

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **does not exceed** \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

The *Arizona TaxNews* is a publication of the Arizona Department of Revenue. Information contained herein is of a general nature and is not designed to address complex issues in detail. Taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in an alternative format upon request. Subscription information may be obtained from the Publications Unit at 602-716-6797 or toll free from area codes 520 & 928, 1-877-863-0655.

---

## **CHANGE IN CITY TAX CODE—CITY OF BENSON**

### **EFFECTIVE FEBRUARY 1, 2005**

**Effective February 1, 2005:** On November 1, 2004 the Mayor and City Council of the City of Benson passed ordinance number 482. Ordinance 482 increases the Benson City Privilege Tax on Construction Contracting Section 415, 416 and 417 from **2.5% to 4%**. The tax on Construction Contracting shall be reported using **BS005**.

This increase imposed by ordinance 482 shall not apply to construction contracts entered into prior to the effective date of the ordinance. Pre-existing construction contracts should be reported using **BS008** at a rate of **2.5%**.

---

## **CHANGE IN TOWN TAX CODE—TOWN OF CLARKDALE**

### **EFFECTIVE AUGUST 1, 2004**

**Effective August 1, 2004:** On May 25, 2004 the Mayor and Town Council of the Town of Clarkdale passed ordinance number 264. Ordinance 264 increases the Clarkdale Town Privilege Tax on Construction Contracting Section 415, 416 and 417 from **2.25% to 3.25%**. The tax on Construction Contracting shall be reported using **CD005**.

This increase imposed by ordinance 264 shall not apply to construction contracts entered into prior to the effective date of the ordinance. Pre-existing construction contracts should be reported using **CD008** at a rate of **2.25%**.

---

## **IMPORTANT MESSAGE FROM THE ARIZONA DEPARTMENT OF WEIGHTS AND MEASURES**

Do you use a commercial weighing or measuring device, drive a taxi, own/operate a fuel dispensing site or use a scale to determine the cost of any commodity? If yes, any commercial weighing or measuring device must be licensed. These include such devices as scales, meters, fueling dispensers and liquid (water, etc) measuring devices. For more information call (602) 255-5211 or visit the Arizona Department of Weights and Measures website at [www.azdwm.gov](http://www.azdwm.gov).

## **GENERAL CONTRACTORS AND SUBCONTRACTORS: BE CAUTIOUS OF “1099” STATUS**

Arizona state statutes make it a contracting violation for a licensed contractor to aid and abet an unlicensed contractor to evade the state’s contracting laws. The most common way that a licensed general contractor runs afoul of this law is by hiring an unlicensed person to perform some portion of a larger project if that person is determined to be an unlicensed subcontractor.

When faced with an allegation that a general contractor has violated the statute, the ROC must determine whether the person hired by the general contractor was a bonafide employee of the general or whether that person was, in fact, an unlicensed subcontractor. If the person hired is an employee of the general contractor, there is no violation. However, if the person is determined to be a subcontractor and is not properly licensed to do the work he or she was hired to do, the general contractor may be found to have aided and abetted that person to evade the law.

An immediate red flag to the agency in this instance is if the general contractor issued an IRS Form 1099 to the person instead of a W-2. The IRS Form 1099 is normally issued to independent subcontractors, whereas the W-2 is normally issued to employees. If a general contractor wants to be sure that a person hired by him will be viewed as an employee, the general contractor should properly hire them as they would any other employee and issue a W-2 at the end of the tax year.

For questions about these requirements, contact the ROC Licensing Department at 602-542-1525.

## **AZTAXES.GOV TIPS**

### **Avoid Penalty & Interest from Late Online Payments!**

ACH Debit or E-Check payments made on AZTaxes must be completed before 5:00pm Mountain Standard Time (MST), in order for payments to settle the next business day. The settlement date is the date the money is debited from your bank account and credited to the Department of Revenue account.

When the due date of the 25th falls on a weekend or Arizona holiday, the payment is due on the next Arizona business day.

### **Where’s My User PIN and Password?**

ADOR often gets calls from taxpayers frustrated that they are unable to file or pay online because they have not received their User PIN or Password after registering to use the site and submitting the signed signature document. This usually occurs because the “Authorized User” is using a firewall, SPAM or POP UP setting that blocks AZTaxes emails. Therefore, we recommend that you check your email security settings to make sure you can receive messages from AZTaxes.gov. Note that user PIN and Passwords are sent in separate emails to the registered Authorized User’s email address provided on the application.

These and other useful tips can be found under the FAQs link on the AZTaxes.gov website. If you still have trouble, please contact Taxpayer Information and Assistance at the AZ Department of Revenue at the telephone numbers listed on page 2 of this newsletter.

---

## DECEMBER WORKSHOPS

For a complete listing of workshops or more information, please email Community Outreach & Education at [seminars@azdor.gov](mailto:seminars@azdor.gov) or call 602-716-6828.

All classes cost \$15 per person.

### Retail Workshops

This workshop is designed to help you understand the retail classification that is imposed in Arizona.

**Chandler—December 30**, 8:30 am – noon  
Department of Revenue, 3191 N Washington

**Glendale—December 16**, 8:30 am—noon,  
Quality Inn, 5511 W Bell Rd.

**Phoenix—December 27**, 8:30 am—noon,  
Industrial Commission, 800 W Washington

**Phoenix—December 29**, 8:30 am—noon, Dept. of  
Revenue, 1600 W Monroe, B1 conference room

**Scottsdale—December 15**, 8:30 am—noon,  
Comfort Inn, 7350 E Gold Dust

**Tucson—December 30**, 8:30 am—noon,  
Arizona Gov't Office, 400 W Congress, Rm. 158

**Wickenburg—December 15**, 8:30 am—noon,  
Super 8 Motel, 975 N Tegner

### Contracting Workshops

This workshop is designed to help those in the industry understand the transaction privilege tax requirements in Arizona.

**Chandler—December 29**, 8:30 am – noon,  
Department of Revenue, 3191 N Washington

**Glendale—December 15**, 8:30 am—noon,  
Quality Inn, 5511 W Bell Rd.

**Peoria—December 28**, 6—9 pm,  
Peoria Library, 8401 W Monroe

**Phoenix—December 28**, 8:30 am—noon, Dept. of  
Revenue, 1600 W Monroe, B1 conference room

**Phoenix—December 20**, 8:30 am—noon,  
Industrial Commission, 800 W Washington

**Scottsdale—December 16**, 8:30 am—noon,  
Comfort Inn, 7350 E Gold Dust

**Tucson—December 29**, 8:30 am—noon,  
Arizona Gov't Office, 400 W Congress, Rm. 158

**Wickenburg—December 14**, 8:30 am—noon,  
Super 8 Motel, 975 N Tegner

---

### Conformity with the Internal Revenue Code

*(Continued from page 1)*

Historically, when the Arizona Legislature chooses to conform to federal tax law changes, they do so retroactively.

When completing 2004 Arizona returns, taxpayers who are affected by the retroactive federal changes have three options:

1. Include the changes on the Arizona return because they think it is likely the Arizona Legislature will go along with the federal change. (If the Legislature does not conform to the change, an amended return would have to be filed.)
2. Wait to file the Arizona return until after the Legislature makes its decision. This may mean they have to request an extension of time for filing if the Legislature does not act before April 15.
3. Adjust the Arizona return to exclude any retroactive federal change. (If the Legislature does accept the federal changes, taxpayers may amend their returns.)

## IRS.GOV CITED AS MOST RELIABLE GOVERNMENT WEB SITE

IR-2004-131, Oct. 25, 2004

WASHINGTON — The Internal Revenue Service has the nation's most reliable e-government Web site according to a leading private sector company that measures Web site performance.

Keynote Systems announced today that IRS.gov is one of the first winners of the Keynote Performance Awards, a new awards program designed to recognize excellence in Web site performance. Keynote honored the fastest and most reliable Web sites in three categories: e-commerce, e-government and online travel and hospitality.

In e-government, the IRS won the performance award for Best Transaction Reliability with an average score of 99.8 percent.

"The IRS is strongly committed to the use of technology to help taxpayers, and taxpayers are embracing this technology," said IRS Commissioner Mark W. Everson. "More than 61 million tax returns were filed electronically this year. And IRS.gov received more than 139 million visits this year, making it one of the government's busiest sites."

"We're proud to have IRS.gov recognized as the e-government leader in reliability," said Jimi Stricklin, IRS director of Web Services. "This award validates our goal of improving service to America's taxpayers by delivering fast and reliable online resources and tax information."

The award is based on Keynote's E-Government Web Transaction Performance Index. The index measures a visitor's ability to click through a number of pages on the Web site and successfully find the needed information. Measurements were taken between December 2003 and July 2004 every hour, seven days a week from the nation's 10 largest metropolitan areas. Three aspects of each transaction were measured: accessing the site's home page, entering a search topic and selecting or clicking on a specific search result. The site with the highest success rate, out of 100 percent, is recognized for the "reliability" award.

Many of IRS.gov's most useful Web applications are those made possible through new capabilities developed and delivered through the IRS Business Systems Modernization Program. The program is a multi-year effort to modernize and update the nation's tax administration systems.

Highlights of these new Web applications include "Where's My Refund?" which taxpayers can use to find out about their tax refund and e-services, a suite of IRS.gov tools that give tax practitioners and professionals new ways of working with the IRS using fast, efficient and convenient online processes.

## **IRS HAS \$73 MILLION IN REFUND CHECKS GO UNDELIVERED**

IR-2004-137, Nov. 15, 2004

WASHINGTON — The Internal Revenue Service is looking for 87,485 taxpayers whose income tax refund checks could not be delivered. Checks totaling more than \$73 million can be reissued as soon as taxpayers correct or update their addresses with the IRS.

"If we owe you money, we'd like to get it to you," said IRS Commissioner Mark W. Everson. "All you have to do is tell us where you are. Our Web site makes it easy for taxpayers to track their undelivered refund checks."

"Where's My Refund?" on IRS.gov provides information about refunds and is available from the IRS home page. To use it, taxpayers enter information that includes their Social Security number, filing status (such as single or married filing jointly) and the refund amount shown on their 2003 tax return. When the information is submitted online, taxpayers see Web pages that show the status of their refund and, in some cases, instructions to resolve potential account issues.

"Where's My Refund?" was developed through the IRS Business Systems Modernization program and delivered in the summer of 2002. Taxpayers used the online tool nearly 24 million times to track their refunds in 2004.

The number of undeliverable checks decreased this year by 5,325, but the average refund, \$836, increased compared with last year's average of \$722.

Taxpayers can avoid undelivered refund checks by having their refunds directly deposited into a personal checking or savings account. Direct deposit also guards against theft or lost refund checks. The option is available for both paper and electronically filed returns. More than 49 million taxpayers chose to direct deposit almost \$120 billion in refunds this year. The number of direct deposit refunds was up 10.8 percent from last year.

Refund checks go astray for reasons that can vary with each taxpayer. Often, it's because a life change causes an address change. If taxpayers move or change their address and fail to notify the IRS or the U.S. Postal Service, a check sent to their last known address is returned to the IRS.

Taxpayers who have moved since filing their last tax return can ensure the IRS has their correct address by filing Form 8822, Change of Address, with the IRS. Download the form or request it by calling 1-800-TAX-FORM (1-800-829-3676).

Those without access to the Internet, who think they may be missing a refund, should first check their records or contact their tax preparer before calling the IRS toll-free assistance line at 1-800-829-1040 to update their address.



## HEAR YE—HEAR YE



**Arizona Expands its 2D Barcode Services!**

**Effective TY2004:**

**140, 140A, 140NR, 140PY, and 140PTC**

**All Have 2D Barcode Capability!**

**These forms allow you to offer your clients faster processing than traditional paper returns.**

**With the new expanded capabilities, why not give it a try!!  
Contact your software provider for availability.**